

Wenzel, Mark

From: Lawrence H. Goulder [goulder@stanford.edu]
Sent: Sunday, November 08, 2009 5:17 PM
To: 'Chris Knittel'; 'Dallas Burtraw'; 'Jim Boyce'; 'Jim Bushnell'; 'Larry Goulder'; 'Nancy Ryan'; 'Robert Fisher'; 'Vicki Arroyo'; 'Dan Kammen'; 'Justin Adams'; 'Matthew Barger'; 'Nancy Sidhu'; 'Jim Sweeney'; 'Steve Levy'; 'Joe Nation'; 'Rick Frank'
Cc: Wenzel, Mark; 'Matthew Zaragoza'
Subject: EAAC: Next Steps for Allocation Report
Attachments: Appendix for Allocation Report.doc

Dear EAAC Members:

I thought the public conference call last Wednesday was very productive. Thanks for your endurance during the marathon call. This e-mail outlines strategies for moving forward.

Timetable:

- Wednesday, November 18 – public meeting in San Francisco. We'll discuss a revised draft and continue discussion of recommendations. I'd appreciate any suggestions about how best to conduct this meeting so that we use our time most effectively.
- Tuesday, December 15 – public meeting (location?). Here we'll distribute a complete draft of the allocation report.
- We will probably need to have a “public conference call” between the November 18 and December 15 meetings.
- January – delivery and presentation of final report

Process for Improving the Text:

- During this week's subcommittee calls, we'll assign tasks to rewrite/improve text of chapters 2-5. The revisions should be sent to subcommittee chairs (Dallas and Matt B.) and me. In addition, all EAAC members should feel free to send in suggestions for changes to any parts of the report. Please supply suggested changes to text (via tracked changes) to relevant subcommittee chairs and me.
- The Legal Issues Subcommittee has a very important role relating to all chapters (see below). I hope this subcommittee can come up with answers to the questions indicated below and provide the answers in writing.

Appendix Attached:

- Attached is updated (more complete) appendix. This is simply a collection of appendix material that has been submitted. It hasn't been edited.

Areas for Improvement (a partial list):

Based on my notes from the November 4 meeting, as well as some subsequent comments sent by committee members and ARB staff by e-mail, I've assembled the following list of areas we might focus on to improve the text. This is not comprehensive.

General:

- Make the draft more accessible (but retain the rigor). Put the more technical elements in footnotes or appendix
- Shorten the text.
- Remove suggestions that political advantages should be a reason to adopt a particular option.
- Connect discussion of various options to alternative scenarios about existence/nature of broader regional or federal cap-and-trade programs.
- Connect breadth of policy to potential for technological innovation.
- Give focused attention to pros and cons of the various alternatives; this should form the basis for recommendations in Chapter 6.

Issues for Specific Chapters:

Chapter 1 (introduction)

- Awaiting draft from ARB
- indicate that the impact of CA policy on national (or global) emissions counts – it's not just the impact on CA-generated emissions
- indicate that some pollutants termed "co-pollutants" have global warming potential. These included black carbon and NOx
- make clear the purview of EAAC's allocation role – does it include recommendations re availability/requirements of offsets?

Chapter 2 – Mechanisms for Allowance Distribution

- include discussion of free allowance distribution to LDCs;
- make clear the circumstances where free allocation and auction are or are not equivalent in terms of their impacts on allowance prices and output prices (this relates to regulatory constraints)
- connect with presence/nature of regional or federal cap-and-trade policy
- improve discussion of potential attractions of auctioning (visibility, flexibility of use of allowance value, etc.)
- legal issues here??

Chapter 3 – Total Allowance Value

- refine the discussion of ranges of allowance value
- connect with presence/nature of regional or federal cap-and-trade policy
- legal issue: what are the legal or institutional impediments to linkages with other states' systems, with a federal system, or with the EU

Chapters 4 – Making Use of Allowance Value – General Considerations

- in discussion of compensation, make clear that overall impact (including environmental benefit) to various groups counts, not just the cost impact
- distinguish compensation from transition assistance
- include support of adaptation as one potential use of allowance value
- legal issue: what does law allow regarding use of proceeds from allowance auction?

Chapter 5 – Making Use of Allowance Value – Weighing the Needs and Claims

- Introduce subsection 5.1.1
- consider implementation risk and “durability” of alternatives
- connect the alternatives to different scenarios about presence/nature of regional or federal cap-and-trade programs

Please feel free to indicate other areas where you feel improvements are needed.

Thanks for your contributions to this important effort.

Best,

Larry

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